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# AMERICAN MANAGEMENT REVIEW

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# AMERICAN MANAGEMENT REVIEW

*August, 1924*

## THE MEMBERS' FORUM

### How Work Ought to be Done

Most truths are exceedingly simple but hidden from us by our prejudices, our preconceptions.

I know combinations of workers who without being aware of it, are examples of what all workers ought to be.

These men are not on repetitive jobs, every second and less the stunt changes.

Each one must be a master in his line.

The tools wherewith each works must always be in perfect condition and are strictly individual.

The standard practice instructions are written in an international language so that every worker, be he American, English, French, German, Italian, Russian, Japanese, or any other nationality, instantly and perfectly understands what is expected of him and does it.

The directions are most minute, more minute than usual directions issued to workers.

The workers work to the hundredth part of a second and they all work together.

No worker lags, none hurries ahead, they all work together.

There is a foreman who knows every worker's job and who co-ordinates them all. Production begins, goes along and ends almost with the precision of an eclipse.

The next day new instruction cards are issued and there is a new job.

These men are unionized and unusually temperamental, yet they enjoy their work so much that some of them, the best of them, would rather work without pay than be idle.

All over the world I have seen men, in small groups, in large groups up to several hundred, working together in this perfect way.

During the war, we were directing munition plants that worked almost as harmoniously and perfectly.

This proved to us that the attained ideal described, is not impossible of general realization. Why should it be?

HARRINGTON EMERSON, *President,  
The Emerson Engineers*

## Will the Pension Break the Business?

Adoption of pension plans by industrial establishments makes steady progress in spite of actuarial prophecies of dire consequences in the future. At the same time, thinking managers of business have serious misgivings on the whole subject. Well supported arguments seem to indicate that pension costs in the average corporation, both absolutely and in terms of percentage of payroll, will continue to mount for at least forty or fifty years after the pension is inaugurated. The ultimate cost, it is asserted, will range all the way from 3 per cent to 10 per cent of the payroll and in exceptional cases may even be much greater. Industrial managers are being warned, moreover, that the large company which adopts a pension assumes an initial "accrued liability" which to be safely carried demands a reserve amounting perhaps to many millions.

This is not the place for a detailed discussion of these assertions. It is sufficient to concede that they are based generally upon sound actuarial estimates and that they furnish as accurate an appraisal of the future pension situation as can be reached by the use of the data available.

From the standpoint of the industrial managers the practical question is: "What are we going to do about it?"

The question is being answered in various ways. Some corporations are refraining from the adoption of pensions and are seeking substitutes in the shape of savings plans and other incentives to self-support in old age. Others are revising their pension finance systems with a view to the adoption of strict pay-as-you-go policies. Yet others—and this attitude is more typical—are going ahead, paying their pension costs as they arise and hoping for the best. Some concerns whose retirement systems are of comparatively recent origin find comfort in the thought that pension plans of longer standing will run into whatever financial difficulties exist in plenty of time to furnish warning to the newcomers.

In the midst of this uncertainty it is well for the industrial manager to review his pension plan and to eliminate whatever elements of excessive cost he may find. Also no mistake is likely to be made by appropriating for pensions an annual amount sufficient to build up gradually a reserve in excess of immediate needs. Having taken these obvious precautions, the manager

will be justified in awaiting developments, at the same time taking stock of the favorable elements in the situation.

Among these favorable elements is the fact that pension expense is not a net loss. In many cases payment of a pension to a superannuated workman is an alternative to keeping him on the active payroll long beyond the time when he is a profitable employee and perhaps up to the time when he is a positive risk through his liability to illness or accident. Industry—big business in particular—no longer makes a practice of “scrapping” the aged workmen who have given many years to its service. These men are usually provided for in one way or another and the pension may after all be far from the most expensive way.

Moreover, even if the employer should succeed in eluding direct responsibility for the support of his aged workers and in shifting the burden to public charity, he would be likely to find himself still paying a considerable part of the cost in the form of taxation. Certainly a very great proportion of this cost would be borne by industry as a whole.

On the other hand, the enlightened employer expects to derive a direct benefit from his policy of pensioning the veterans of his service. A liberal pension plan should improve morale and reduce the turnover of labor. Results in this respect are not easy to prove and they are well-nigh impossible to measure, but even very moderate results might well offset a pension expense amounting to a small per cent of the payroll. This affirmative advantage has the best chance of being realized if the pension is a part of a well thought out and efficiently administered industrial relations program.

The element of public good will resulting from a known policy of liberality toward loyal employees of long standing is also not to be disregarded.

It is not the intention here to argue that all pension plans are safe, or that the industrial manager should adopt a happy-go-lucky policy and shut his eyes to real dangers. It would seem, however, that the common sense view is to retain the pension, with such financial safeguards as are expedient, at least until an admittedly satisfactory substitute has been discovered.

E. S. COWDRICK.

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## The Health Service—Its Place in Industry

The argument for the maintenance of a health service is an economic one—it pays to keep the workers well. The supervision of the physical condition of the workers is as important and necessary as the supervision of the machinery of the plant.

Given the size and character of an industry, and the proportion of male and female workers, the health needs can be measured fairly definitely. When such needs have been determined, the service should be arranged so that

maximum results are obtained at minimum cost. For instance, the work of the physicians should be limited to the technical medical and surgical work, leaving to the nurses re-dressings of surgical cases and similar duties. Again, in making physical examinations, the physician should not be required to write up the record cards; the nurse or some other assistant should do this.

The physical examination of new or regular employees should be of a practical character, that is, covering those physical conditions which apply to the industrial life of the individual, and to the company employing him. Enthusiasm for research work should not lead the physician into the fields of medicine which do not concern the industrial life of the worker. With knowledge of previous employment, and of the work the applicant is about to take up, the physician should pay special attention to physical conditions directly concerned with the job to be filled.

In the majority of cases, physical defects discovered can be corrected so as to enable workers to take up the vocations for which they have applied, thus avoiding their being handicapped as to working ability and earning power. In those few cases where it is necessary to reject applicants because of defects, the conditions found should be explained frankly, and suggestions made as to the kind of work which would be suitable and safe. A flat rejection without explanation leaves the individual full of doubt and dread, and is not fair to the man.

In the administration of the clinic, a sufficient stock of supplies should be maintained currently by taking inventories at stated periods. Requisitions for supplies should be made at times which conform with the purchasing department rules.

The health service should be a definite aid to production. Visits to sick absentees will result in a reasonably early return of employees to work. Adequate lighting facilities having been provided, it is necessary to see that they are used properly by employees for their own protection, and also for their effect in aiding production. The maintenance of proper working temperatures is essential. Industries of certain types such as the hat trade and clothing manufacturing, as well as mercantile establishments will find work retarded very materially by high temperatures especially in steam heated rooms in the winter. When the thermometer shows 75° to 80° and over, there is a decided lag in output. The proper relation of chairs and work benches to the workers minimizes many of the aches and pains that mean decreased working ability and absence.

A plan of campaign to minimize the effect of epidemics such as influenza should be ready for operation if the need arises. Safety assistants in the various rooms should know what to do if accidents occur. In themselves, accidents are bad enough, but the confusion resulting therefrom to a large group of workers should be kept down by getting the injured employee away from the scene of the accident as soon as possible.

The installation and maintenance of proper records are just as important

for health work as they are for other service phases of industry. They furnish the guide posts by which to estimate the results of work performed and serve as the basis for directing the work intelligently. These records should be as simple as possible, yet should furnish sufficient data for proper analysis.

To be successful, health work in any industry must recognize its relations to all other factory activities. In itself, it is only one phase of the personnel work, and as such must find its place. In its relation to production it belongs in the service department group. If organized properly it fulfills its function; if not, it may become a constant source of annoyance.

ALFRED E. SHIPLEY, M. D. *Personnel Director,*  
*Knox Hat Company, Inc.*

## Twenty-one Primary Industrial Relations

So much has been written recently in regard to the various problems of Industrial Relations that the subject has begun to take on a rather complex aspect.

The chart given below may possibly be of some assistance to those who are interested in untangling the web. It will be observed that the vertical and horizontal combinations of the six fundamentals are identical, that is,

	Capital A	Labor B	Supplier C	Customer D	Executive E	Public F
Capital	1	2	3	4	5	6
Labor	2	7	8	9	10	11
Supplier	3	8	12	13	14	15
Customer	4	9	13	16	17	18
Executive	5	10	14	17	19	20
Public	6	11	15	18	20	21

Customer D and Supplier = 13; Customer and Supplier C = 13. Executive E and Labor = 10; Executive and Labor B = 10, thus developing a total of 21 relations. If we can find an answer for each one of these twenty-one primary relations indicated in the chart we may then have some hope of solving the industrial relations problem. Or, are we only erecting additional monuments to "Unknown Gods."

C. S. COLER, *Manager, Educational Department,*  
*Westinghouse Electric & Manufacturing Company.*

# THE MANAGEMENT INDEX

## Abstracts and News Items

### 332. FINANCIAL MANAGEMENT

#### Unions Like Rail Investments

Warren S. Stone, Grand Chief of the Brotherhood of Locomotive Engineers, urges co-operation between railroad workers and savings banks as a means to effecting a solution of the railroad problem. A further reason why labor and the savings bank investor should fall into step is that labor is investing its savings on a very large scale. Throughout the United States there have sprung up in the past three years more than thirty labor banks, with an equal number in process of organization. The resources of these institutions approaches \$100,000,000. The Brotherhood of Locomotive Engineers owns and operates ten of these banks. *Industrial Relations: Bloomfield's Labor Digest*, July 5, 1924.

#### Labor Now Enters Investment Field

Union labor will enter the field of investment banking through the organization of the New York Empire Company, Inc., which will have headquarters at 120 Broadway. The new company, which will be supported by the Brotherhood of Locomotive Engineers, which has been remarkably successful in the banking field, will sell investment issues and enter into direct competition with some of the larger security companies in the financial district.

Financiers consider it especially significant that the new venture will be launched near the center of the down-town financial district. According to the official announcement made yesterday, the new company "will work in conjunction with the Empire Trust Company and the Brotherhood of Locomotive Engineers Co-operative National Bank of Cleveland." The Empire Trust Company is controlled by the

Brotherhood of Locomotive Engineers, which entered the banking field in New York City many months ago.

Officers of the New York Empire Company, Inc., are Darragh A. Park, President; Paul H. Hudson, Vice President and Treasurer, and D. A. Van Vaulkenburg, Secretary.

The new company will not only make its appeal to the general investment public, but make a direct appeal to the union employees in all parts of the country. As a security house it may, if it deems advisable, underwrite the securities of corporations.

The establishment of this firm, it was pointed out in the financial district, was in line with the policy of the Brotherhood of Locomotive Engineers to play an ever-increasing part in the conduct of the banking business. To date the sentiment of the bankers has been to welcome the representatives of unions into the banking field on the theory that if the labor unions could be brought to more of a realization of the problems that capital is facing a closer relationship between capital and labor could be brought about. *N. Y. Times*, July 22, 1924.

#### The Protection of Working Capital

The payment of dividends is the final test of corporate success. There is a strong and continuous pressure on the corporate authorities for dividends and the payment of improper or unwise dividends is frequent. The author points out how working capital and surplus may be protected. When appropriations for bond sinking fund reserves are made, a like charge should be made against the income account or profit and loss account. If earnings are not set aside to cover

these the so-called Free Surplus Account would appear that much larger and might result in disbursement of dividends in cash. Similar items are expenditures for fixed properties not financed permanently, surplus appropriated to cover investments, advances and securities and other intangible fixed investments, deferred charges such as organization expenses, development expenses, etc., surplus arising out of revaluation of other fixed investment, premiums on capital stock, donated treasury stock or sale of fixed property investments, also insurance reserves, reserves against decline in inventory prices, reserves for contingencies.

Open undervaluation of assets cannot be condemned as they usually represent prudent foresight and conservative policies. Concealed undervaluation is more doubtful especially as it may be used for fraudulent purposes.

Borrowing funds to pay dividends is frowned upon. By J. H. Bliss, *Management and Administration*, June, 1924, p. 653:6.

#### Securing Funds for Business Expansion

"Corporate financing today is a merchandising proposition." Buyers of corporate loans are the commercial banker, the note broker and the bond underwriter. Specialization among bond houses, and the size of the loan help to determine where it may be sold. Published lists and firms organized for that purpose aid in the selection of an underwriter. Weaknesses in the loan should be discussed with the underwriter, as failure to do this results in an ultimate impairing of credit. In planning a loan the borrower should acquaint

himself with the general principles of corporate finance. The issuance of bonds on the basis of earning power in a period of prosperity assumes a persistence of the high value of the dollar not substantiated by economic experience. By Arthur M. Leinbach. *Management and Administration*, July, 1924, p. 33:5.

#### Introducing New York's Pay Day Club

The Bowery Bank is popularizing the club savings idea with employer and employee of shops, stores and offices. In addition to serving as a place of deposit this bank provides advisory service. An important feature of the club idea, is to put the management and control of the club entirely in the hands of the employees who make it up. By George W. Gray. *Burroughs Clearing House*, July, 1924, p. 15:3.

#### Organization of an Efficient Cost System

It is generally agreed that it is desirable to give most department heads full and complete information covering detailed and departmental costs and financial figures. But it is first necessary to educate them as to the bases on which these figures are determined. The need is emphasized for organized training, so that all executives will make use of the information given to them. Both the accountants and the executives of financial, merchandising and operating functions of a business should recognize and understand the problems and services of the others. By G. M. Pelton. *Industrial Canada*, July 1924, p. 189: 1½.

## 651. OFFICE MANAGEMENT

### 651.1 Space: Location, Arrangement, Special Rooms

#### Where Shall We Put the Offices?

Business concerns are beginning to scrutinize their offices—scrutinize them as to their physical and financial features—

and to ask questions. Are we in the right location now? Do we need more office room? Can we use more effectively the space we already have? Are we wasting space on departments or divisions that can

be quartered in smaller areas or moved to another location where space is less expensive? Answers to these and other ques-

tions are given and suggestions offered on the problem of location. By Warren D. Bruner. *Business*, July, 1924, p. 12: 4.

### 651.3 Organization: Job Analysis, Employment, Pay

#### New Businesses

Among primary matters to be determined in starting a new business is that of organization which may be any one of three forms: 1. An Individual Proprietorship, 2. A partnership, 3. A corporation.

The simplest form of organization, that of individual proprietorship, is considered in this issue, both in its external and internal relations. By Joseph G. Terry. *The Executive*, July, 1924.

#### Salary Standardization

The heaviest single expense item in the budget of most organizations is the cost of the payroll. Attention is therefore being focussed more and more keenly on methods of regulating and controlling this item. Salary standardization offers a solution which is equitable, practical and satisfying to both employer and employee. We therefore find that an increasing number of progressive institutions is adopting some plan of salary standardization.

Inasmuch as the need for salary standardization is beginning to be apparent, this discussion deals with the technique of installing a plan of salary standardization and with experiences among institutions where such plans are in operation.

Salary standardization is based on thorough job analysis of all positions in an institution and classification of the typical positions into well-defined grades and groups representing work of increasing difficulty and responsibility. The chief benefits to be derived from salary standardization are:

1. The fixing of salaries directly proportionate to the difficulty and importance of the work to be performed and the qualifications for performing it;

2. The elimination of inequalities in salary for the same kind of work and of

unjustified differences in salaries for different kinds of work;

3. The setting of definite hiring standards and of definite minimum and maximum values for each position;

4. The defining of lines of promotion;

5. The controlling of transfers;

6. The necessitating of consideration of the future of employees who have reached the maximum for their positions;

7. The reduction of labor turnover by providing employees with the incentives furnished by a realization of fair play and an opportunity for advancement.

8. The provision of a simple means for budgeting labor requirements and determining annual salary appropriations;

9. The establishment of a method of keeping the cost of the payroll within reasonable bounds.

Charts and schedules illustrate the wide inequalities in salaries existing before standardization in certain organizations employing from five hundred to one thousand clerical employees, and show the control secured through the introduction of a plan of salary standardization.

In order to make salary standardization an incentive to employees, two principles must be followed:

1. Individual consideration, with a view to salary increase or promotion, of the accomplishment of each employee based upon progress ratings;

2. Sound publicity to employees concerning the plan so that they may be at all times informed of the opportunities ahead of them and of the requirements for positions of higher rank bearing commensurately higher salaries.

With these two principles in operation, one organization has been able to decrease its labor turnover, increase interest among its employees because of the large number

of promotions made possible, stimulate the educational activities of workers and control its payroll cost. By Harry Arthur

Hopf. *Round Table Discussion of the National Association of Office Managers*, June, 1924.

#### 651.4 Administration: Regulations, Supplies, Communications

##### An Opportunity for Service

The modern method of breaking in new employees is to give them complete written instructions which have been carefully built up from a detailed analysis of the job. Along with standard instructions should come standard salaries. In too many cases a salary is determined by a bargaining process between employer and employee, with the advantage usually on the side of the employer. Working conditions should be provided which will call forth the best that each worker is capable of doing. It is the duty of the Office Manager to see that these three points are covered in his relations to his fellow workers. By Edwin N. Robinson. *Service Bulletin*, National Association of Office Managers, June, 1924, p. 33: 3.

##### Who Can Hire Management?

The thing to be managed is "a closed and intimately intermeshed circuit of psychological forces, continuous, dynamic, through and among three principal groups of human beings—investors, workers, customers—using as conductors the equipment, materials, services and money which to external appearances constitute the reality of the company." Managing includes understanding, devising and persuading. "Analysis of the dynamics of managing seems to me to offer no grounds for a fundamental distinction between administration and management for even the definition—that administration has to do with policies fixed over a considerable period while management is concerned with the problems of week to week—turns out to be a relative differentiation rather than a fundamental distinction." "While the managing factor is heavily graduated from almost zero to 100 per cent among separate individuals, it never-

theless finds itself to all practical purposes coterminous with the whole active organization." Those individuals whose work involves the understanding of the widest range of facts about the concern whose possibilities of contribution are greatest are by all odds the most hopeful instrument through which the chief management of a concern is to be chosen. "Only management can hire management." The more wholly absentee investorial control becomes the more awkward becomes its task of hiring management. "Is it not now becoming too awkward to hold its own in the hard fight of the next years?" By Henry S. Dennison, *Bulletin of Taylor Society*, June, 1924, p. 101: 10.

##### Administration and Management

Henry S. Dennison doubts the value of distinguishing between administration and management when he says: "... analysis of the dynamics of managing seems to offer no grounds for a fundamental distinction." The editor quotes his own article on scientific management, in *Encyclopedia Americana*, J. William Schulze and Oliver Sheldon, to refute Mr. Dennison's view. Editorial, *Bulletin of Taylor Society*, June, 1924, p. 98: 2.

##### Constructive Supervision

Supervision is an influence to which we are all subject in one way or another, but it is not always constructive.

The first step should be the careful selection of the employee, for unless the personnel is well chosen we cannot produce satisfactory results in building up an organization.

Next, we should explain to the employee his duties and instruct him in the way they are to be performed.

Next in importance is bringing about co-

operation through selling the employee his own organization.

In the office—as in every walk of life today—the great need is for better education, and we notice that there is being built up a closer alliance than ever before, between the office and the school.

In training employees we should not lose sight of the fact that they are human beings with physical limitations, whose ambitions may be crushed or fulfilled perhaps according to the way they are handled by those who control their efforts. Great patience and good judgment is required if the best in each one is to be developed.

The importance of discipline should not be overlooked in its relation to office training. It is not necessary perhaps to follow the school-teacher method of enforcing regulations, but compliance with all rules should be firmly insisted upon. By A. J. Graydon, *Round Table Conference of the National Association of Office Managers*, June, 1924.

### The Schools and Industry

Industry has awakened to the fact that it is suffering a distinct loss because of poorly or partially trained employees. It

also realizes that it must do something more than complain of this condition.

The problem is a mutual one because neither the school nor industry can solve it alone. Industry must do all it can to help our schools, and the schools should do all they can to train their students so they will become efficient and useful workers with as little loss to themselves and to business as possible.

Industry is constantly in need of trained workers. There may be short times of depression when little hiring is done, but in the long run, there will always be places for stenographers, typists, bookkeepers, dictating machines, calculating machines and other operators.

In industry, every reasonable effort is made to keep down turnover. Hiring and firing is costly business. The breaking in of any new employee is costly, but the shorter the gap, the less the break between school and business, the better for both parties. Therefore, it is of the greatest mutual interest to arrange a course in school and a plan in industry, that will make this important transition as easy and profitable as possible. By F. P. Hamon. *Round Table Conference of the National Association of Office Managers*, June, 1924.

## 658. PRODUCTION MANAGEMENT

### 658.1 General: Promotion, Finance, Organization

#### Scientific Management in Other Countries

Scientific management is gaining attention in Canada, Great Britain, Germany, Denmark, France, China, Holland, Italy, Czecho-Slovakia, Russia. By Frank B. and Lillian M. Gilbreth. *Bulletin of Taylor Society*, June, 1924, p. 132: 11.

#### Budgeting for Business Control

Although budget systems are as old as business, what is new and significant about present day methods of budgeting is that business men have found it of great ad-

vantage to combine in a single, co-ordinated system all the odds and ends of adjustment they have been making. The budget system cannot be introduced overnight, but has to be a matter of growth and evolution. *Business Leaflets No. 1*. Metropolitan Life Insurance Co., N. Y.

#### My Three Essentials of Management

Test any business that is not progressing as it should and you will find either: 1. that it puts the immediate dollar of profit into the limelight; 2. that it scatters its energies by going into temporary side-

lines that seem to offer an extra profit; or 3. that it is hide-bound—it will not change a policy to meet a new condition. *System*, July, 1924, p. 25:9.

#### Organization of Maintenance Division

The head of the maintenance division should rank with chiefs of other divisions in being responsible directly to the manager of the works, and should be an engineer of broad experience, and exceptional judgment. The fundamentals in organizing this division are engineering; production; inspection; accounting and its own maintenance. Functions of these sections are given in detail. The author believes that there is economy in hiring an outside firm of engineers to design and supervise new construction. By Frederick A. Waldron. *Management and Administration*, July, 1924, p. 39.: 3½.

#### Co-ordination of Sales and Production

"Business cycle studies are not effective in the profitable sense unless they may be brought down to earth in a tangible way: unless they directly influence the quantities and time of initiating work orders into the shop in a suitable co-ordination with the quantity and time of sales orders to be received from the consumer." This article describes what the Walworth Manufacturing Company has accomplished in this direction. "An executive's qualification today is measured by his ability to anticipate rather than to meet a situation." By Joseph H. Barber, *Bulletin of Taylor Society*, June, 1924, p. 111: 21.

#### New Forms of Depreciation Schedules

Provision for depreciation is usually made by setting up a Reserve for Depreciation account, crediting it annually with sums such that at the close of the estimated life of the asset the total which has been credited to the Reserve account shall equal the original cost, less the estimated scrap value, if any.

Current methods are outlined, i.e., the straight line, the sinking fund, the reducing balance the weighted year method and there follows a description of the

"adapted sinking fund method" which is the sinking fund method adapted by using a negative value for the hypothetical interest rate. By G. W. Greenwood. *Management and Administration*, June, 1924, p. 689: 4.

#### Applying the Budget System to Railroads

A number of railroads are successfully applying the budget to: capital expenditures; maintenance of way and equipment; the control of material; forecasting cash requirements. Is it possible to predict transportation expenses and traffic trends, which change almost over night? Accuracy in developing general business cycle trends supplemented by an analysis of goods carried by the railroad will improve the forecasting of traffic trends. The proved usefulness of budgets in certain departments suggests extending the principle to others. The method used by the New England Telephone and Telegraph Company includes local budgets, division budgets, and departmental and company budgets. This company has attained a high degree of co-operation, initiative and efficiency by keeping its budget areas small and by insisting on the committee idea. There is a wide divergence of opinion on the future of the budget as applied to railroads. The statement by the vice-president of a large railroad system of their method of controlling operating expenses by a budget is given and twelve forms used in various other systems are shown. By Henry Bruère and Arthur Lazarus. *Industrial Management*, July, 1924, p. 35: 11.

#### The Mechanics of Profit-Making

The "mechanics of profit-making" resolves itself into three phases: 1. Sales. 2. Production. 3. Administration, finance, and growth.

The sales problem (which comes before production in planning budgetary control) has two subdivisions, (a) the price-quality problem; and (b) the sales-effort problem.

"The "production problem" means,

primarily, the analysis of operating efficiency and cost of production or purchasing.

The problem of administration, finance, and growth has two aspects, first as related to internal factors and second with regard to external conditions. Internal factors include sales efficiency, production efficiency, and administrative (including finance management) efficiency. Vital external factors are the shortage or surplus

of labor, capital, materials, and transportation, as well as the buying power of the public and the effects of competition. The external factors are largely affected by economic cycles, and their changes tend to complicate the normal problems attending the natural growth of a business enterprise. This article is well illustrated by charts. By Park Mathewson. *Management and Administration*, June, 1924, p. 659: 3.

## 658.2 Plant: Location, Lighting, Heating, Ventilation.

### The Food Manufacturing Industries

A statement of factors affecting the distribution growth and movement of these industries in New York and environs follows their analysis by branches. Maps, diagrams and tables illustrate such features as location, number of employees, value of products, and growth of plants in the years 1900, 1912, 1917 and 1922. The probable future of the industries in the above neighborhood is considered in the light of outstanding facts revealed by the investigation. By Faith M. Williams. *Regional Plan of New York and Its Environs*. Monograph No. 3, 60 pages.

### Ventilation—Its Need and Accomplishment in the Cafeteria

The ventilation referred to is for the small sized restaurant and does not mean the installation of a battery of fans, air washers and steam coils necessary in large establishments. But on the other hand it does mean more than desk fans distributed at random in the restaurant and kitchen. It is necessary that a suction effect be introduced. The attention given to maintaining good air in the average cafeteria is one of the most important factors making for success in this work. *Cafeteria Management*, July, 1924, p. 10: 1.

### The Metal Industry

Analysis by branches of this industry, illustrated by diagrams, tables and maps, helps to trace its growth and movement in New York and environs. Conclusions

are drawn with regard to the trend of the industry in general, and the relation of the New York group to the industry as a whole. Factors determining the location of plants are discussed. By Vincent W. Lanfear. *Regional Plan of New York and Its Environs*. Monograph No. 2, 1924, 49 pages.

### The Chemical Industry

The growth and movement of this industry in New York and its environs in the years 1900, 1912, 1917 and 1922 are presented graphically by text, tables and maps. A detailed analysis by types of chemicals is followed by conclusions regarding the probable trend of the industry. A page of outstanding facts revealed by the investigation is given with references to their source. By Mabel Newcomer. *Regional Plan of New York and Its Environs*. Monograph No. 1, 1924, 49 pages.

### The Wood Industries

Present trends and probable future developments of the wood industries in New York and its environs are carefully portrayed by text, maps, diagrams and tables. Analyses by size of plants, employees and zones show the status of these industries in the years 1900, 1912, 1917 and 1922. Factors determining the location of plants are discussed in detail and conclusions drawn. By Mark Carter Mills. *Regional Plan of New York and Its Environs*. Monograph No. 4, 1924, 52 pages.

## 658.41 Employment: Classification, Selection, Tests, Turnover

### Another Way to Look at Labor Turnover

The labor-turnover figure as ordinarily used does not mean much. A substitute control figure is that of the stability factor; that is, the percentage of the total number of jobs in the organization in which there have been no exits during the year. This is really the thing to watch rather than the percentage of labor turnover alone. By Earl B. Morgan. *Factory*, July, 1924, p. 50: 1.

### Holding the New Employee

As the result of an investigation by Frankel and Brissenden among 53 firms it was found that more than 40 per cent of turnover takes place within the first month of employment, 61 per cent within the first three months, and 74 per cent within the first 6 months.

During the critical period of the first few weeks of employment the important thing is not so much the method, as that definite and conscious effort be made to introduce properly the new employee to the company and its policies. *Personnel Leaflets No. 1*. Metropolitan Life Insurance Co., N. Y.

### Scientific Selection of Taxicab Drivers

The first test applied to the selection of taxicab drivers is much like that employed

in the army. It is a written test designed to ascertain the applicant's powers of attention, observation, etc. The second test is for the sake of observing his "bump of caution," and the third test is known as the "fear-time reaction" test. The results of these tests, together with the man's actual record will prove whether or not he is a competent driver. Nor must the physical examination be overlooked. It should cover sight, hearing, heart and blood pressure. By A. J. Snow, Ph.D. *National Safety News*, July, 1924, p. 5: 2.

### Our Way of Putting Creative Interest into Humdrum Jobs

The Cleveland Worsted Mills Company has used a plan for several seasons in interesting the worker in his job which has produced splendid results. They realized that the wool sorter, the comber, the spinner, or the weaver never had a chance to see the finished product and therefore did not connect the idea of the beautiful fabric he was helping to produce with the wool or yarn he was handling. To remedy this situation they assembled all their new samples and placed them on display in the recreation building and placed a notice carrying a personal touch in each department. By Walter Brown. *Factory*, July, 1924, p. 39: 1.

## 658.44 Employee Service: Hygiene, Recreation, Lunch Rooms, Stores

### A Health Center Conducted by a Labor Union

A bright spot in industry is the health work being carried on by the International Ladies Garment Workers' Union in New York City. This is carried on under a distinctly union institution known as the Union Health Centre. This furnishes the workers with modern facilities for health education, physical education and medical and dental treatment. Throughout all industry it would be difficult to find a more

practically administered work of co-operative social betterment. *Law and Labor*, July, 1924.

### Why Industry Needs the Safety Movement

In the Bethlehem Steel Corporation last year there were 5,199 lost time accidents among its employees; 83 of these were fatal and 55 caused amputations or lost eyes. These accidents and their treatment cost about \$1,500,000 which includes com-

pensation paid to the men who were hurt, and the cost of hospital work. The only consolation in this record is that accidents have not increased in proportion to the growth of the company, but have shown a definite decrease.

Since accident prevention is an educational function, it requires organization and direction, and the urge for results must start at the top and permeate down through the entire organization. By J. M. Larkin. *National Safety News*, July, 1924, p. 7: 1¼.

#### Industrial "Free Lunch" Proves Its Value

The Metropolitan Life Insurance Company of New York, whose system of feeding workers is typical of many eastern banking institutions, recently issued a statement setting forth the results of their no-charge system.

"From the company's point of view the plan has been found to pay, if not in dollars and cents, at least in time-saving and the health of employees. When the number of employees was about 40 per cent less than at present, it was found that eighteen days could be saved at each lunch hour if employees were fed under their own roof on a schedule eliminating loitering and delays."

In former times, whenever the weather took a sudden bad turn, its effect was felt the following day in the absence of dozens of clerks. The young girls had picked up the dampness through their rubberless soles

while out for lunch. Working with wet feet all afternoon, they had succumbed to colds. Lunch served in the building has reduced this risk to a minimum. *Cafeteria Management*, July, 1924.

#### Railroad Health and Recreation Programs

A growing interest has been shown in health and recreation programs during the past few years among the railroads. Accounts of this work on these three railroads are given: the Chesapeake and Ohio, the Norfolk and Western, and the New York, New Haven and Hartford. *Railway Age*, July 5, 1924.

#### Industrial Hospital in New York

The Reconstruction Hospital is now dedicated wholly to the treatment of industrial disabilities and occupational diseases. The aim is not alone to cure a man who has suffered an industrial accident or is a victim of an occupational disease, but it endeavors to rehabilitate the patient and, if possible, teach him a new trade or occupation at which he can make as much money as in his old position. The value of this hospital to industry lies in the fact that it serves to reduce labor turnover, and helps the employers by making it unnecessary for them to break in new men. It is a boon to the working man also, as in this unique institution he is able to receive specialized treatment. By Henry Woods. *American Industries*, July, 1924, p. 35: 1.

#### 658.447 Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

##### The Public Service Company of Northern Illinois

This company is believed to be the first electric public utility to co-operate with an educational institution to raise the standard of its personnel. It has an arrangement with the University of Illinois whereby it gives special supervision to graduates of the university's course in the economics

of the utility industry, and extends the use of its plant for experimental work. *Fort Wayne Works News*, July, 1924.

##### The Growth and Development of the Trade Extension High School, Los Angeles, California

The Board of Education created a department of trade extension, which was

later formed into an independent high school, with the head of the evening trade extension classes at the Labor Temple as the co-ordinating principal. An Arbitration Board was formed from a committee of seven representatives from associations of employers and unions. The Associations of Merchant Plumbers and Mason Contractors and the Association of Tile Dealers send selected apprentices in their employ to the school and furnish all trade equipment and supplies. The School Board houses the school, pays the salaries of the teachers, and furnishes the usual equipment of a high school.

Even though the Trade Extension has been in existence only a short time there are certain effects on industry already apparent. There is a decided financial gain to industry. There is a lessening in the waste of materials in general production, and above all, a feeling of satisfaction and confidence. By Sadie C. Atherton. *Vocational Education Magazine*, June, 1924, p. 873: 3.

#### **American Boys Study Mexican Business Methods**

To gain first-hand knowledge of Mexican business methods, a group of students from Boston University and other colleges are in Mexico City this summer taking courses in commercial subjects at the National University of Mexico. These students are employed by Mexican busi-

ness firms during the mornings and early afternoons, and though they receive no pay for this work they will receive college credit for the experience. The university lectures are given in Spanish, but an outline and résumé in English of each course is supplied to English-speaking students. The courses are given by special arrangement between the National University of Mexico and Boston University, and the students do not pay any extra tuition fees. *Clip Sheet, Department of the Interior*, July, 1924.

#### **Industrial Work in the Large Community as Applied to the Continuation School**

In any vocational guidance scheme, the use of short-unit courses of perhaps eighteen weeks seems a desirable method of finding aptitudes. These finding courses are founded upon the prevailing occupations in point of size in the community, and when pupils make a selection of an occupational interest, as much as can be given of a preparatory course is offered them. The General Electric Company is developing a series of vocational aptitude tests which are offered to employees who seek to avail themselves of them. They cover such traits as mechanical ability, observation, accuracy, mathematical ability and executive ability. By Charles W. Clark. *Vocational Education Magazine*, June, 1924, p. 860: 3½.

#### **658.45 Benefit Systems and Incentives: Group Insurance, Pensions, Profit Sharing, Wage Plans, Suggestions, Vacations.**

##### **Clark Company Gives Employees Recreation Building**

Two fine recreation buildings have been provided for their employees by the Clark Thread Co. at Newark, N. J. They are three stories high, of most modern construction, and of handsome appearance. In the basement are a bowling alley, pool and billiard tables, and card tables. On the first floor is a large lunchroom, and on the second story is a large auditorium,

with a completely equipped stage. *Industrial Relations: Bloomfield's Labor Digest*, June 28, 1924.

##### **Personal Co-operation Takes Place of Special System**

The National Equipment Co. manufacturers of candy and chocolate making machinery, render their employees some unusual services. Bonuses are given every employee for length of service. Employees

who want to borrow money can get it from the company, paying interest at six per cent. The plant has a paint shop, with a painter in charge who will paint cars owned by the employees at cost. They are given an opportunity to buy the candy manufactured by the company at a nominal price. The dentist attached to the plant gives the employees special rates, and they are permitted to receive dental treatment on the company's time; this service is also extended to the families of the workers. *Industrial Relations: Bloomfield's Labor Digest*, June 28 1924.

#### A Mutual Benefit Society

The first industrial mutual benefit society in Cleveland was the White Sewing Machine Co. Mutual Benefit Society, parent of the White Motor Mutual Benefit Society, organized in 1878. The Company's attorneys furnish legal advice without charge and the Company also furnishes the space for the Factory Store which is primarily the Benefit Society's store. Also the Company's Medical Department co-operates with the society, which is valuable assistance. By Edna K. Wooley. *The White-Book*, July, 1924.

#### A Suggestion for a Premium System

The Barth system of wage payment was developed from a consideration of the Halsey and the Rowan Premium Systems and is recommended for use in shops that have no scientific rate setting. The author advocates furnishing workers with a computing diagram or a cheaply constructed slide rule, both of which are illustrated. By Carl G. Barth. *Management and Administration*, July, 1924, p. 71: 2.

#### Why We Share Our Profits

"We have introduced our profit-sharing plan partly because we feel confident that in the future labor will demand different working conditions from those which have obtained in the past. We believe that profit-sharing in some form or other is one change which will be inevitable in

industry. I have referred to others above, all of which we have tried to introduce into our business.

"We believe that by so doing we are returning heartier and more sincere co-operation. We feel that the interests of the workers and the management are more closely allied than they were before. We can be franker with each other; we can let representatives of the workers know the real figures of the business. Indeed, it is their right to know them.

"We recognize that profit-sharing is no alternative to payment by results. Further, we do not believe it is possible to secure co-operation merely by the introduction of a profit-sharing plan. It must form an item in a program carefully devised to that end. A profit-sharing plan in conjunction with very low wages or other undesirable conditions will not conduce to the spirit of cordial co-operation." By B. S. Rowntree. *System*, July, 1924, p. 45:3.

#### Incentive Systems of Wage Payment

Five types have been selected as representative: the Halsey Premium Plan, the Taylor Differential Piece Rate, the Gantt Task and Bonus System, the Emerson Efficiency Wage and the Bedaux Point System. The operation of each system is described, and the attendant advantages and disadvantages are pointed out. This is followed by an analysis from the point of view of the employee, of the theory underlying all of them. In the conclusion especial emphasis is laid upon the important prerequisites to success. *Harvard Business Review*, July, 1924, p. 474: 7.

#### Results from Suggestion Systems

Two recent reports, one from the Good-year Tire & Rubber Co. and the other from the Colorado Fuel & Iron Co., show the value of a live suggestion system. The winning suggestions brought financial results to the company, and more. They tapped resources of employee interest. They got the men out of a rut. Some of the most valuable suggestions from

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#### Nearly Half the Staff Are Stockholders

Fifty employees, more than 38 per cent of the staff, are buying 71 shares of stock in the Provident Trust Company on a monthly payment plan. The president of the company is father of the plan to make employees part owners. It has a double purpose—to encourage thrift by giving employees a chance to make sound investments, and to stimulate their personal interest in the company. He believes that making an employee a partner is as good business for the employer as for the employee. By William E. Case. *Burroughs Clearing House*, July, 1924, p. 48: 1 col.

#### Sixteen Employees Buy Devoe & Reynolds Paint Co. Control

Sixteen employees of the Devoe & Reynolds Company, Inc., of 101 Fulton Street, New York, manufacturers of paints, and said to be one of the six oldest business firms in the country, having been in business 170 years, have bought the controlling interest of the old stockholders of the concern. The owners for five years have been gradually shifting the management to the shoulders of the younger men in the organization. There is nothing radical about this change, it is not a donation to the employees or a socialistic experiment. The sixteen employees have simply been allowed to buy out the old stockholders.

For 165 years it was run in accordance with the traditional business methods of its founders. As a result the profits did not keep pace with those of its younger competitors, and when this was realized the younger generation was encouraged to introduce modern business methods. *N. Y. World*, July 14, 1924.

#### Vacations for Factory Workers

The plan which the Paraffine Companies, Inc., has put into effect at its Emeryville Plant this year includes the granting of a week's vacation to employees of over three

years' but less than four years' service; ten days to those in the service over four years, but less than five, and two weeks to those who have been with the company more than five years. The rate of vacation pay is based upon the worker's regular normal rate. *Management and Administration*, July, 1924, p. 52: 1.

#### Entire Plant Closed for Two-Week Vacation

The entire plant of the Bausch & Lomb Optical Company will close during the last two weeks of July, that is, from July 19 to August 4.

As you can readily imagine, the old custom of the folks in a large plant like this taking their vacations at various times during the summer months, ranging all the way from May to Labor Day, is a practice that not only interferes with the smooth running of any business, but is bound to shift additional work upon the shoulders of some while the others are away on their vacations.

The plan of closing the entire plant for two weeks for vacation purposes was tried out a couple of years ago and operated apparently to the general satisfaction of all. Therefore the plan has been adopted for this year and will probably be continued throughout other years unless some unforeseen occasion arises making the practice impossible. *The Reflector*, July-August, 1924.

#### A Textile Firm's Welfare Organization

A brief outline is given of the advanced welfare schemes in operation at the different works and mills of the Tootal Broadhurst Lee Company, Limited, England. There is a welfare committee, having one representative from each department. Well-equipped first aid and rest rooms are provided. There is a dining room for mid-day meals at a reduced tariff. A recreation room is provided with mid-day orchestral concerts once a fortnight. Morning drinks are served to employees at their work. Whist drives and dances are held at intervals, and a staff tea party is held annually. Cricket, football, tennis, bowls,

hockey, swimming and gymnastics are organized. The education scheme provides for part-time day continuation education for junior employees up to 18 years of age, with provision for specialized commercial education for students over 16 years of age to whom it can be appropriately given. Medical and dental inspection is carried out in connection with this scheme. These represent the activities carried on at Works "A" and the Head Office and there follows a description of similar schemes at the other works. *Industrial Welfare*, June, 1924, p. 158: 3.

#### **Pension Plan Not Intended to Give Full Support in Old Age**

The Prudential Insurance Company explains their system of "Retirement Allowances" in detail, with a schedule of service disability allowances, designed to give reasonable pecuniary assistance to deserving employees. *Industrial Relations: Bloomfield's Labor Digest*, July 19, 1924.

#### **How Wage Incentive Is Applied in Plant of Fisk Rubber Co.**

In this plant, employing about 1,600 workers, five different methods of wage payment are being used, in addition to straight day work. These are individual piece rates, group piece rates, pool rates, 50 per cent premium rates and bonus rates for salaried employees. Practically all piece rates are based on systematic time studies, and this wage incentive plan is considered much the best method. In the machine shop the 50 per cent premium plan is being used, for the reason that the nature of the product is continually chang-

ing and the quantities made are small. By Fred M. Sawin. *Belting, Transmission, Tools & Supplies*, July, 1924, p. 44: 2.

#### **Welfare Schemes at Minimum Cost**

A certain Cheshire firm in England offers to pay its employees at the usual rate for eleven days upon the production of proof that the holiday has been spent at a health resort, or abroad, or at a particular place of interest. Another case is that of a group of Lancashire mills, where it has been the custom of the workers to spend money lavishly at popular amusement towns. To discourage this the works manager has himself conducted parties of workers numbering as many as 200 to places abroad. Arrangements have been made to visit Switzerland this year. *Industrial Welfare*, June, 1924, p. 162: 1.

#### **B. M. T. Offers Stock to Its Employees**

The Brooklyn-Manhattan Transit Corporation has offered to each of its workers an opportunity to purchase preferred stock of the reorganized company at a price considerably lower than the market quotation. This is said to be the first time that a large New York or Brooklyn transit company has offered stock to its employees on an inducement basis. The subscription price for the stock is \$65 per share, and the employees have one year in which to pay for the stock. All purchases must be made on the instalment plan. The B. M. T. management believes that a wide distribution of shares among employees will tend to encourage loyalty and efficiency and to discourage agitation for strikes. *N. Y. Times*, July 17, 1924.

### **658.46 Labor Relations: Collective Bargaining, Arbitration, Employee Representation, Organized Labor**

#### **The Way to Industrial Peace**

Examples of decisions by economic power and a statement of the various theories of labor relations. When employer and employee sign some sort of agreement we have the beginning of indus-

trial law. The collective agreement is compared to Parliamentary Law, and an arbitrator constitutes the judicial department which is interpretive only. The Kansas Industrial Court differs from the latter, in that conditions of employment

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are fixed by the Court. The Kansas law does not give redress to a worker unjustly discharged, but operates only in case of a strike or lock-out. Under collective agreements conditions of employment are handled like cases of discharge and discipline. The decisions thus reached make precedents which form an industrial common law. By William M. Leiserson. *American Review*, May-June, 1924, p. 252: 12.

### Revolution—New Style

The recent victories of the needle-trades unions in New York emphasize the function of labor organizations as creative forces in industry. Not one was fought over simple questions of wages and hours. An examination of the clothing industries of New York reveals the fact that units of production have been growing smaller. The amount of capital necessary to start a shop is so small that the industry has become over-crowded. The result is manufacture in wastefully small shops, heavy seasonal unemployment, and deterioration of quality of the product. No amount of union amalgamation would help a situation like this. It is a problem in industrial engineering.

A short strike of the men's clothing workers brought an element of cohesion

into their industry which had been lacking for some time. The International Ladies' Garment Workers had a more difficult situation, and the remedies offered by the commission are more complicated and extensive than in the case of the men's clothing industry.

The United Cloth Hat and Cap Makers have won an agreement for unemployment insurance in New York, and the International Fur Workers are to have one also if it is found to be practicable in their industry. By George Soule. *The Nation*, July 23, 1924, p. 93: 1.

### One Phase of the Strike Dispute

Are designers and examiners of women's garments ordinary laborers and therefore obligatory members of a trade union, or are they artists and professional workers, and therefore out of place in such an organization? The manufacturers maintained that designers were artists and their direct representatives. Making them members of the union, therefore, would be an injustice not only to the manufacturers, but to the designers as well. The workers contended that only about ten of the designers employed in this city are really artists in the sense that they actually create styles. *Pennsylvania Register*, July 17, 1924.

## 658.53 Production Records: Time Cards and Performance Records

### Recording Job Costs to Show Profits

A system reflecting the monthly costs of production in a small factory consists of: 1. The daily recording of costs on customers' orders as they pass through manufacture; 2. The assembly or summarizing of these recorded costs, into totals for each shop order, and 3. The preparation from these summaries of whatever representations, in the form of analyses, statements or graphs, are necessary in order to convey to management a clear and authentic picture of the month's activities.

A typical cost sheet, daily idle machine report, monthly cost analysis of completed orders, monthly profit and loss statement as assembled from cost sheet totals, and a Gantt monthly idleness chart are presented and explained. Their value in aiding the small factory manager to formulate his future policy can hardly be overestimated. This article closes the series on "Profitable Methods for the Small Factory." By Geoffrey C. Brown. *Management and Administration*, July, 1924, p. 53: 6.

### 658.54 Rate Setting: *Operation Study, Time Study, Motion Study*

#### Making and Using Time Studies

Five forms used in compiled time study supplement a description of this effort toward standardization. The investigation involves factors which enter the processing rather than the product, that is, the base is in the work stations, equipment and the manufacturing conditions. "In

constructing the unit and establishing the routines by which time study is to function, the peculiar requirements of the business come to the foreground." A combination of production and compiled time study may prove practical. By Harry K. Reed. *Industrial Management*, July, 1924, p. 29: 5½.

### 658.56 Shop Organization: *Methods, Salvage, Waste*

#### Practical Methods for Minimizing Waste

An inventory of all stocks involved will show when changes can be introduced to the best advantage and with minimum waste. A typical storage bin card, ledger sheet stock record, inactive stock report and inventory tag illustrate an accurate method of storeskeeping. Allowances in small supplies for individual workers will eliminate waste in the office. The Westinghouse system of duplicate brass checks for issuing tools to employees works very effectively. Standardization of small tools will aid materially in waste prevention. A regular inspection of tools and equipment will obviate tying up unnecessary sums of money in extra tools. Large savings are possible through an inspection of the power house, as to method and results in the production of current. By C. B. Auel. *Management and Administration*, July, 1924, p. 65: 6.

#### Changes in Equipment and Product Preceding Installation of Production Control

Modifications necessary in developing the industrial tractor from the military delayed complete control in manufacturing. The steps toward this control were: the establishment of an adequate material control, the rearrangement of the shop to insure a straight-line flow of material, the standardization of machine operations, effective routing, development of schedules,

design and manufacture of special tools and fixtures to make possible the most economical methods of machine work, the devising of dispatching and timekeeping methods that would insure a steady flow of work, development of the inspection and tool room systems. Another problem was the development of proper relations in the personnel of the plant. A long process of education was necessary before the significance of scientific management was understood. The second in a series of articles on tractor building. By George D. Babcock. *Management and Administration*, July, 1924, p. 19: 7.

#### Industrial Transportation Over Definite Lines of Travel

The success of any industrial railway system is more than 50 per cent dependent upon the proper layout, location and method of installing the track system. The character of the industry influences the choice of equipment. A standardized system allows an interchange of units. A wide variety of cars and tractors are illustrated and their uses indicated. By Matthew W. Potts. *Industrial Management*, July, 1924, p. 50: 8.

#### A Simple Plan for Keeping Stocks Balanced

The Welch Grape Juice Company uses a chart which shows graphically the condition of stock. By A. Lee Short. *System*, July, 1924, p. 39.

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## 658.6 BUYING, RECEIVING, STORING, SHIPPING:

**Packing and Shipping Oil and Lubricants**

The practice of the Tide Water Oil Company has almost eliminated hand methods. Hand trucking is limited mainly to store-rooms. "The use of equipment has brought about savings on the cost of production running up to many thousands annually, and it would be impossible to operate successfully under present-day conditions without the economy in labor and expense which such mechanical devices assure." By J. B. Edwards. *Management and Administration*, July, 1924, p. 59: 6.

**Lowering the Cost of Distribution**

The report of a special committee of the U. S. Chamber of Commerce describes the congestion and loss of time at freight terminals due to a failure to load and unload cars promptly. A well-organized system of store-door delivery is recommended by the committee to avoid such wastes as "trap car" shipments, switching between local stations and short-haul shipments. *Printers' Ink*, June 26, 1924, p. 93: 2.

**Is the Purchasing Agent Alive to His Industrial and Economic Opportunities?**

The potentialities of the purchasing agent are often disregarded. Some of the factors responsible for the increased importance of buying are: the higher cost levels of to-day, the approach to standardization in production, the growing diversification of industry and gradual increase in productive capacity, the conservation of natural resources and need for waste elimination, the restriction of immigration and short-

age of man power. A thorough knowledge of sales and production will increase effectiveness in buying. By John H. Van Deventer. *Industrial Management*, July, 1924, p. 47: 3.

**An Example of Scientific Marketing Procedure**

This article describes first a method of analyzing buying groups and magazine and newspaper circulation and gives practical applications of this method. It first analyzes occupational and income groups and studies circulation in those groups. The application involves two steps: 1. To measure the buying public for a product by occupational and sex groups and determine the proportion of actual buyers and prospective buyers in each of these groups. 2. To choose advertising circulation so that the coverage will harmonize with that analysis of the consumer market. The example given is a study of the market for popular priced automobiles.

"Studies of occupational buying groups and the co-ordination of advertising circulation with these groups is rather costly as applied to an individual business. It requires time, tireless effort, expense. It cannot be done carelessly or superficially. Work so done is a waste—rightly done, it is one of the most productive investments a business can make. Not only does it bring results in new methods of planning, it brings also indirect benefits of perhaps even greater value. It stimulates clear thinking right through the organization." By Stuart Cowan. *Bulletin of Taylor Society*, June, 1924, p. 143: 9.

## 658.8 SALES MANAGEMENT

658.81 Organization of Department: *Employment, Analysis, Salaries***Merchandise Man Is Buyer's Ally**

Samuel W. Reyburn, President of Lord & Taylor, states that the merchandise manager is not the hindrance to the retail store

buyer he is so widely thought to be in the wholesale markets. On the other hand, he is the partner of the buyer and an important executive. The job analysis of

the merchandise manager is very comprehensive: he is a manager of a group of selling departments which are being operated as one division. From an organization point of view, he is the executive charged with the supervision of a group of buyers and assistant buyers. He is charged with the responsibility for a considerable amount of capital and must, therefore, be able to operate on the basis of a knowledge of costs, expenses and probable profits. Other duties are outlined, and if the merchandise man lives up to them he will be one of the most capable and hard-working executives on the staff. *N. Y. Times*, July 20, 1924.

#### Use of Accounting Information and Statistical Data in a Department Store

This article describes the accounting and statistical information which is useful to merchandise managers and department heads in a department store or retail business. A useful feature is a comprehensive outline of methods whereby cost accounting may be applied. There is also presented the handling of these methods by departments, with suggestions for statistical, inventory and turnover reports, including purchase and sales classifications. By A. C. Hodge. *Official Publication of the National Association of Cost Accountants*, July, 1924, 15 pages.

#### Responsibility as a Business Tonic

By departmentalizing his business, and making each department responsible and practically independent, it took only two years to increase sales from \$680,000 to

\$3,000,000 in the United Plumbers' Supply Company of New York. Under this system each department manager was made a responsible executive. By E. A. London. *Management*, July, 1924, p. 48: 4.

#### Future Developments in Retailing

The last decade has recognized the growth of the chain store, and the tendency toward centralized buying for a group of department stores. The trend in retailing will be determined by the size of the community. The competition resolves itself into a struggle between economy of price offered by the chain store and goodwill which has been built up by the department store. The practice of directing European manufacturers to produce American style goods with a low labor cost can be exercised by large distributors only. The consolidation of department stores eliminates the disadvantages of: the dependence upon the department manager, the lack of intensive specialization and singleness of effort, and the dissipation of the value of volume when reduced into purchasing power in many markets. To finance such large enterprises the public and the workers may become partners therein. Retail securities will be attractive because of the relative stability of the business during economic cycles. The building is a visible real asset which the investor can see. The premier position in retailing to-day belongs to the department stores. The next fifty years will see the consolidation of many units into large, powerful groups. By Paul M. Mazur. *Harvard Business Review*, July, 1924, p. 434: 12.

### 658.82 Sales Promotion: Letters, House Organs, Advertising

#### Making the Sectional Sales Conference a Success

Students of sales management have noted in the last few years a change from the annual general sales conventions held in headquarters cities to sectional conferences.

This has resulted in decidedly new and better practices.

The modern sales manager has dropped generalities which a decade ago would have been thought sufficient. One of the most valuable results of a sales conference is that the unexpected always happens.

The final session should be long enough for discussion from the floor, and every man should be given a chance to present his ideas. By J. J. Witherspoon. *Printers' Ink Monthly*, July, 1924, p. 39: 3.

### Better Service Through Salesmen's Cars

Salesmen of the Continental Can Company can visit four to eight canneries a day working twelve to fifteen hours and traveling an average distance of two hundred miles. This is physically impossible with other forms of transportation. Men with autos can do twice as much work as men who use trains or trolleys. By S. J. Steele. *System*, July, 1924, p. 70.

### Mental Hazards That Stand in the Way of Sales

There are many pet fetishes that eat profits, such as the June bride, peaks and valleys, presidential years, saturation, the summer slump and the negative appeal. The effect of a presidential year on business, especially, has been greatly exaggerated, according to the figures based on a comparative study of business conditions during the last ten election years. The serious factor is that these fetishes, although having little foundation in fact, are apt to exert a deterrent influence on business. It is true that business runs in cycles, but these cycles are susceptible to control. By C. B. Larrabee. *Printers' Ink Monthly*, July, 1924, p. 17: 2½.

### Do the Best Sales Ideas Come from the Home Office?

The officials of the Stewart-Warner Speedometer Corporation found that it could not originate all its advertising at home and keep abreast of sales conditions. So a processed letter was sent to all the salesmen asking them to make a note of all their successful sales arguments, and offering to pay for these ideas if the company thought them good enough to pass along to the other men. As a result there is a large and growing file of slogans and sales jolts which have come in from the trade and from the company's own men. These are not alone devices to

corral new advertising phrases, but are primarily planned efforts to lay the foundation of better salesmanship. *Printers' Ink Monthly*, July, 1924, p. 90: 1½.

### Loan Cars for Waiting Customers

Every motorist has known the annoyance of going without his car while it is being washed or painted or repaired. Here and there we find a progressive garage man who is winning patronage by a happy solution of this difficulty.

Most garage owners have a car or two around their place which belongs to them and is not in immediate use. This can be loaned to a good customer who is a careful driver, for a few hours or even a day or two, while he is deprived of the use of his own automobile. This is simply applying the scheme of the watchmaker to the motor car business—many jewelers have a cheap but serviceable watch they can loan a customer while his time-piece is under repair.

A nominal charge can be made for such a service and the transaction surrounded by due precautions, and a customer who benefits from such thoughtfulness is an appreciative patron who will not easily be won away by competitors. *Ventura Mission*, July, 1924.

### What Does the Consumer Want?

The modern advertising agency surveys the field for its clients and helps direct the production and marketing in many ways not immediately connected with the buying of space and the preparation of copy. Eighteen of the largest advertising agencies in the country were visited in order to find out just how the research departments operated, and the results are given. By William J. Reilly. *Management*, July, 1924, p. 52: 3.

### How to Use Sales Letters

The ideal sales letter contains six short paragraphs. The purpose of these paragraphs is as follows: 1. To secure attention, 2. To create desire, 3. To make an offer, 4. To advance proof of claim, 5. To introduce personal note, 6. To suggest action and clinch. Although this may sound

like text-book theory, it has proven to work out in actual practice. By C. C. Knights. *U. Y. C. Outlook*, July, 1924, p. 4: 2.

#### Who Pays for the Advertisement That Doesn't Pay for Itself?

Thirty-five executives contributed to this discussion. The great difficulty of telling the profitable advertisements from the duds leads many men into the careless conclusion that they must be very much alike. On one simple fundamental question from the thirty-two letters there were five different opinions. By Kenneth M. Goode. *Advertising and Selling Fortnightly*, July 2, 1924, p. 17: 3.

#### "Just Over at Knoxville"

It is shown how attention to detail establishes personality for the wholesale concern of C. M. McClung & Company. There is a spirit of informal friendliness that pervades the whole place. This attitude is further extended by means of their catalogue, and through the out-of-the-ordinary mailing pieces. By Maxwell Droke. *Business*, July, 1924, p. 17: 1.

#### Taking Up the Slack Between the Inquiry and the Sale

The story-telling idea in booklets is used by some advertisers to turn inquiries into business. The Traub Manufacturing Company have made a booklet the key-note of their entire selling plan. It has proved so effective that many dealers buy copies with their own imprint at one-half the cost of production. In the sixty-six page Purina Poultry Book there are many inducements for causing the reader to file it for future reference, and it can also be used as a sort of ledger for keeping track of profits. The Crawford, McGregor & Canby Company, manufacturers of golf goods, issue one booklet for keep-

ing track of scores throughout an entire season. Another booklet put out by this firm will create new buyers; it makes very little attempt to sell McGregor golf goods, but in an interesting style sells the game itself. The writers of these booklets do not hesitate to spend considerable time delving into their subject—learning its history, traditions and the lore that surrounds it. *Sales Management*, July, 1924, p. 1233: 2.

#### When the Treasurer Swings His Axe on the Advertising Appropriation

It is shown how advertising builds a cumulative momentum and how losses in returns from a curtailment of the advertising are felt gradually rather than in full immediate force. The money saved by canceling advertising is not a saving at all, but a tax on results for the next four years. By Cheltenham Bold. *Sales Management*, July, 1924, p. 1219: 1½.

#### Jobbers Must Get Out of Advertising Ruts

A co-operative plan with the retailer to use other mediums than the traditional price list, catalogue, etc., followed in the past, was developed in the San Antonio Drug Company. This plan is submitted, illustrated by four charts. Chart No. 1 shows from a survey of 87 jobbers that the field of advertising has been but little explored. Chart No. 2 was made to reveal the extent to which jobbers take advantage of manufacturers' advertising plans. To what extent the jobber extends co-operation with the retailer is illustrated in Chart No. 3, and Chart No. 4 is an example of the means used by this organization to visualize how their advertising is helping them to achieve the greatest possible results. By Wm. Ochse. *Direct Reflections*, July, 1924, p. 14: 8.

### 658.86 Salesmen: Selection, Training, Compensation

#### Pitfalls of the Employment Interview

Twelve sales managers with considerable

experience in selecting representatives interviewed fifty-seven candidates for a sales

position. A table of the resulting ranking shows a wide divergence of opinion. Another test reveals that the rating of the average interviewer is only slightly better than a chance selection. The tendency to let a personal reaction influence judgment is common. The use of a form in interviewing focuses attention on essential details, which can be easily totaled. Applicants over-rate themselves. "Phrenology as it was taught and practiced was erroneous from start to finish. The character traits of blondes and brunettes and numerous other physical traits, although all scientific efforts to prove the validity of their claims, have ended in disproof." This is the first of a series of articles on the application of scientific methods to the determination of character. By Donald A. Laird. *Industrial Management*, July, 1924, p. 58: 4½.

#### How We Co-ordinate Advertising and Selling

The Armstrong Cork Company train their salesmen in every part of their plant, and also in the tools of advertising. He must know the basic ideas in retail advertising. Finally he must prepare a written thesis which will cover the ten factors that their advertising is intended to reach. Once a year every salesman is brought back to the factory for a week, and although this is expensive the results are worth while. A certain part of it is spent in the production department, and one complete day in the advertising department. The benefit derived from this procedure is mutual. By S. E. Conybeare. *Advertising and Selling Fortnightly*, July 2, 1924, p. 23: 2.

#### Reducing Errors by the Personal Touch

Many mistakes were being made in a certain department store, and the usual admonitions seemed to be of no avail. The system was considered to be good, and it occurred at last to put a person on the job to translate that system in human terms. A woman popular with the employees was put in charge, but given no desk or office; she was simply to be

on hand ready with counsel and suggestion. The number of errors dropped at once. She was presently returned to old work, but the management decided to now and again apply this personal touch to the store system for purposes of re-enforcement. *Industrial Relations: Bloomfield's Labor Digest*, July 19, 1924.

#### Plans for Building a Spirit of Loyalty in a Sales Organization

The most constructive methods of encouraging loyalty are by direct suggestion and example instead of by criticism and fault finding. There are fifteen typical criticisms of sales managers: 1. Being up-stage, 2. Knocking one salesman to another, 3. Being dictatorial, 4. Criticism that is personal, 5. Playing politics, 6. Criticising in front of another salesman, 7. Refusing to back up the salesman, 8. Driving, 9. Favoritism, 10. Unjust criticism to mentally lick a salesman, 11. General criticism intended for one man, 12. Criticism to forestall a raise, 13. Aggravating him with details, 14. Playing one salesman against another, 15. Giving responsibility without authority. There are others.

Good methods are: 1. Don't listen to tale-bearers, 2. Break up whispering groups, 3. Build a loyalty club, 4. Run a house organ page on knocks, 5. Compensate adequately, etc., etc. The report contains many other suggestions, including letters to salesmen on loyalty. By Dartnell Corporation, Report No. 172, p. 1-23.

#### 658.89 Salesmanship.

##### The Sales Budget

The method of establishing the sales quota is here considered. An outline is given illustrating the nature of desirable information to gauge sales possibilities, covering information on the wealth of consumers, the character of competition and the effectiveness of facilities for distribution. Business Leaflets No. 3, Metropolitan Life Insurance Company, New York.

### Our Sales Volume Went Up—Right Along With the Mercury

The cause of summer slumps is not the much maligned salesman with his wilted collar selling. It is rather the wilted collar thinking on the part of executives. New summer uses can be found for any product. Only three things are needed to prevent a seasonal slump in any good product—hard thinking, hard work and advertising. By J. W. O'Mahoney. *System*, July, 1924, p. 40: 3.

### "I'm All Stocked Up"

If such is the case, as may be easily determined by the salesman's asking to see if the goods are in first-class condition, he may advance this fact as an argument for using more advertising to move the stock. If the statement by the retailer is merely a stall, the way is clear for all the strongest sales arguments. By W. B. Edwards, *Printers' Ink*, July 10, 1924, p. 41: 3.

### Sell Direct If You Want to Collect

The president of the Scher-Hirst Company discusses the possibilities of house-to-house selling from the standpoint of the manufacturers. By William Scher. *Salesology*, July, 1924, p. 17: 2.

### Summer Orders

The methods of salesmen in various lines in using selling strategy to wake up the "wait until fall" buyer are given. Examples of business secured by several companies are cited, and also the plans used by sales managers to help salesmen secure business in summer months. By Cameron McPherson. *Sales Management*, July, 1924, p. 1207: 2½.

### Buying for Big Industry Demands Better Selling

Why so many concerns fail when trying to sell big industrial buyers. This is the first of a series of articles describing successful methods used in selling big industries, such as the Ford Motor Company, United States Steel Corporation and similar enterprises; explains how buying methods have advanced and outlines the buying

procedure of big corporations. Salesmen must be given free hand in spending time in factories and plants studying needs of industry before they can hope to sell the big concerns where buying is done on a scientific basis. By Member of the Dartnell Editorial Staff. *Sales Management*, July, 1924, p. 1209: 2¼.

### How We Made Over Our Program to Fit Present Sales Conditions

The Phillips-Jones Corporation decided that shutting down factories and curtailing production would be more costly than carrying on sales effort under high pressure, even if such effort increased selling cost. Territories were cut down, new men added and calls were made more often; business obtained in this manner has kept factories busy and created many new buyers. Salesmen are routed from the home office for four weeks at a time, and required to report on every town listed. By Joseph Ewing. *Sales Management*, July, 1924, p. 1229: 2.

### In Whom We Trust

The International Western Electric believes in extending credit to its customers. For some reason it is often difficult to secure from customers located in other countries financial statements showing the exact condition of their affairs. It is comparatively easy to obtain such statements in this country, but in many foreign countries the financial statement habit is unknown, and dependence by the grantor of credit must be placed in larger measure upon character, tradition, personal and family reputation. By L. R. Browne. *Western Electric*, July, 1924, p. 32: 2.

### Lower Prices, Doubled Volume—Through Simplification

"Most of the hazards of simplification are mental rather than actual," says the president of the E. L. Patch Company, for whom the policy has doubled the business. The rule was to cut out anything the sale of which did not equal an economical manufacturing quantity. It involves a change from casual to active salesmanship. *System*, July, 1924, p. 31: 3.

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## Survey of Books for Executives

**Business Mail.** By Herman A. Blackman, Ronald Press, New York, 1924. 113 pages. \$1.25.

It is difficult for the average business man, whose activities are far removed from the mail department of his institution, to realize the fact that over \$100,000,000 is lost annually through postal irregularities and that 95 per cent of this loss is due to carelessness and ignorance on the part of those responsible for company mailing room activities.

"Business Mail," by Herman A. Blackman, formerly of the United States Postal Service, represents a real contribution to an important feature of the work of office organization and management. It provides in a most convenient and accessible form authoritative information bearing directly on the specific problems which arise in the day's work in an office mail room. The volume itself may well serve as both a manual for office mail clerks as well as a source of most interesting general information with which every business man and woman should be familiar. The author is to be commended on the excellent arrangement of the material, particularly the concise and clear manner in which the more or less technical information is presented.

It is generally realized that relatively few of the millions who use the U. S. Postal Service appreciate the magnitude of its activities. The presentation of information concerning the uniform practices of the service, to the end that there will be a closer co-operation between the users of the postal service and the postal department itself, will do much toward decreasing the annual postal deficit and will improve and expedite the service generally. Mr. Blackman's work as embodied in this volume is an important contribution toward the attainment of this end.

It should be the duty of every business executive responsible for the manner in which postal service is utilized to fully

co-operate with the U. S. Postal Department in the many ways outlined in "Business Mail."

FRANK L. ROWLAND,  
*Personnel and Planning Department,  
The Lincoln National Life Insurance Co.*

**Experience with Mutual Benefit Associations in the United States.** Research Report Number 65, National Industrial Conference Board, New York, 1923. 155 pages. \$1.50.

**A Manual for Mutual Benefit Associations.** Research Report Number 66, National Industrial Conference Board, New York, 1924. 48 pages. \$0.75.

These two reports constitute the most extensive and substantial additions to the literature of mutual benefit associations since the appearance in 1909 of the Twenty-third Annual Report of the Commissioner of Labor, Workmen's Insurance and Benefit Funds in the United States.

In the first of the two reports under review, the term "mutual benefit association" is defined as "an organization of employees within an industrial establishment, formed for the purpose of providing protection for its members in case of sickness, accident or death." The report places the existing number of such associations in the United States as between 700 and 800. The number of associations studied in the investigation of the Board was 382. The treatment accorded to the subject is descriptive rather than statistical or analytic and in a general way it would appear that the purpose of the report is to present a composite picture of the opinion and experience of employers in whose establishments such associations exist. This method of treatment has its limitations as well as its advantages since it tends to perpetuate loosely formed impressions rather than to emphasize carefully reasoned principles. The subject

matter of the report is divided into the following heads: The purposes of Mutual Benefit Associations; Organization and Operation; Administration; Contributions to Funds; Company Participation; Benefits; Results.

The consensus of opinion developed by the investigation is, broadly speaking, as follows: Voluntary membership rather than compulsory is generally preferred both by employers and employees; enthusiasm and salesmanship are necessary to bring in a satisfactory proportion of the total number of employees eligible; associations should be managed by the employees rather than by the employers; "Dues"—that is to say, premiums payable in advance—are preferable to "assessments"—that is, sums payable after the occurrence of loss and based upon the amount necessary to meet the claims; the collection of dues through payroll deduction advocated as more satisfactory than direct collections; a classification of benefits on the basis of the average weekly earnings is favored. It is interesting to note that the report advocates the provision of medical service in addition to cash benefit, a familiar practice in the field of workmen's compensation but rarely found in benefit associations. For sickness benefits the report favors a probationary period of two weeks—that is to say, a provision that members must have joined the association at least two weeks prior to the commencement date of any disability for which coverage is provided. In case of disability arising from accident, no probationary period is to be required. It is to be regretted that greater care was not employed to avoid confusion between the expressions "waiting period" and "probationary period." A "waiting period" is a period during which a member must be disabled before his disability is covered by the insurance. A "probationary period" is a period which must elapse after entrance into the association before the commencement of any sickness which will be covered by the insurance.

The report is strongly in favor of group life and disability insurance, or what it

terms "commercial reinsurance" of the risk assumed by the mutual benefit association, an exception being made in the case of "large" associations, a large association being considered to be one in a plant having "several thousand workers." Among the excellent points developed in the report is a warning against the danger of permitting employees to continue membership in an association after leaving the employment.

A vast majority of these associations are young, as age is measured by actuaries, and it is by no means sure that many of the principles which the authors of the report believe to be demonstrated by experience will withstand the test of time. We may take as axiomatic that any type of organization which renders likely a gradual increase in the average age of the membership or a disproportionately large number of members in the class having impaired health will lead ultimately—possibly thirty or forty years hence—to a painful disillusionment. The enthusiasm of salesmanship is evanescent while the laws of morbidity and mortality never cease to operate. Mutual benefit associations are not usually organized by actuaries and for that reason the financial instability attendant upon the voluntary plan of organization weighs little as against the universal resentment toward the very word "compulsory." A compromise solution, often effective in practice, is to provide that membership shall be "automatic" (at least as regards new employees) but that an employee not wishing to join may exclude himself by a written notice of election to be so excluded.

From the actuarial and technical point-of-view the report is not without its weaknesses. For example, in referring to the insurance of women, the report states (page 24), "If women are objected to on the ground that they are subject to more frequent illness and to disabilities peculiar to their sex, this objection may be largely overcome by the waiting period of two or three days or two weeks imposed by most societies. A waiver covering disabilities peculiar to women, such

as required by one association mentioned above, is another method of meeting this difficulty." This statement is contrary to the universal experience in insuring women against sickness. An exclusion of diseases not common to both sexes will not make it equitable to charge the same rate of contribution for women as for men. It is well established that the general sickness rate among insured women, entirely apart from disabilities peculiar to their sex, is approximately double the sickness rate experienced among men and that either the benefits should be halved or the dues should be doubled if the insurance upon the female members is to be upon a sound basis.

A point of practical importance which might well have been developed in the report, but which is not referred to, is that the cost of sickness insurance per dollar of weekly indemnity increases very rapidly as the ratio of benefit to wages increases. Thus, the cost per dollar of benefit of a ten dollar weekly benefit is much higher than the cost per dollar of benefit of a five dollar weekly benefit.

The report does not discuss the status of mutual benefit associations under the laws of the various states. In some states it is necessary to keep the amount of the benefits promised below a certain sum—say \$350—for the death benefit, and below a certain maximum amount payable in any year as a disability benefit, if the association is not to be required under the law to organize as a regular insurance company. Chapter 548 of the Laws of New York, which became a law on May 1, 1924, provides for the organization of employees' mutual benefit associations in establishments having at least 3,000 employees and where the employer is to contribute at least 20 per cent of the total benefits, the minimum death benefit to be five hundred dollars.

Concerning reserves, the report states (page 45), "Irrespective of the size of the plant in which it functions, a mutual benefit association, to be solvent, must have a reserve fund of a sufficient amount to meet all benefit claims that may be made

upon it. A great majority of mutual benefit associations which are not insured do not fulfill this requirement—an elementary principle of insurance. Insurance companies, on the other hand, are compelled by law to maintain reserves of sufficient amount to meet all possible claims. From this standpoint, therefore, the association in which payment of benefits is guaranteed by an insurance company offers a much greater degree of security or protection to its members than the association which is not insured." Since relatively few associations are in fact insured in insurance companies, and since a great majority of those who are not so insured are stated to have insufficient reserves, it would seem to follow that a very large number of these associations is insolvent. By insolvent we assume that it is meant that their condition is such that they will eventually be compelled to readjust or repudiate their obligations. This statement, if true, would seem to be of highest importance and deserving of more extensive treatment than that accorded to it by the single paragraph above quoted. Let us analyze this paragraph a little further, however, and see what the facts really are. In the first place, since group insurance is ordinarily written as term insurance with premiums payable monthly, the only reserve required by law in respect of the unexpired risk on such policies consists of 50 per cent of the net premium on the policy for one month. As a practical matter, group insurance could be conducted on a perfectly sound and permanent basis without carrying any reserves whatever, for the simple reason that the risk assumed being in the nature of term insurance the losses currently incurred will at all times be covered by premium income currently received. Similarly, except for the purpose of meeting adverse fluctuations of experience, a mutual benefit association, if properly organized and conducted, does not need to maintain any reserve. The financial danger to such associations arises from conditions which may result in an increase in the average age of the membership which will make it necessary to

increase the dues to such an extent that the younger workers are no longer interested in joining. Under these conditions an association falls to pieces very rapidly. The causes that ordinarily lead to an increase in the average age of the membership are: 1. Voluntary rather than compulsory membership; 2. the right to continue membership after the termination of employment; 3. failure of younger employees to join or the withdrawal of a proportionately larger number of young members than of old members. It is these conditions rather than the amount of the reserve which determines the financial solvency of a mutual benefit association, and when proper regard is had for the avoidance of these dangers we feel that the statement in the report to the effect that many of these associations are insolvent is unduly alarming. We do not wish to be understood to mean by this that an emergency or fluctuation fund should not be held by such associations. We are of the opinion that ordinarily this fund should be gradually added to until it amounts to between six months' and one year's dues for the total membership.

In concluding our review of this volume of the report, we reproduce a sane and well-expressed statement on the subject of the waiting period and malingering: "The general opinion is that the waiting period should be long enough to discourage malingering and at the same time should not be so long as to work a hardship on those who suffer from minor injuries and illnesses. Free medical attendance for all members who are disabled, accompanied by effective supervision of claims, does much to eliminate malingering, and it is to the interest of the association to see that all members who are sick or disabled are provided as soon as possible with medical care in order to arrest the development of the disability and thereby lessen the amount that the association might otherwise have to pay out in benefits." (P. 11.)

The second of the reports summarizes in practical form the general principles to be followed in organizing a mutual benefit association and provides a model set of by-laws for such an association. The

by-laws suggested certainly do not err in the direction of providing too little. On the other hand, it is our feeling that they cover a number of matters of detail which might preferably be left to the discretion of the administrative officers of the association. The drafting of by-laws, more particularly the description of the benefits covered, is a technical matter and may be considered as analogous to the drafting of a policy of insurance. It is essential that terms should be carefully defined and accurately and consistently used. As an example of technical imperfection, we note that in Article VII of the by-laws, describing the benefits, the disability benefit is described as "Temporary Disability Benefits not to exceed ..... weeks for one disability nor more than ..... weeks in a year." The experience of the British friendly societies, the fraternal societies, and the insurance companies in this country, indicates that it is a difficult thing to know what constitutes "one disability." Indeed, the definition of this expression is so difficult that it is generally avoided in well-constructed benefit plans. Article IX of the by-laws sheds considerable light on what is meant by "one disability," but we feel that the whole situation could have been much simplified by avoiding altogether the use of so ambiguous a term. Again, reverting to Article VII, the disability is stated to be for "not more than ..... weeks in a year." Presumably this would be construed to mean a calendar year, although it might mean a fiscal year. In any event, what the author of the by-laws evidently intended to say was "52 consecutive weeks."

In spite of the points which we have selected for criticism, it should be emphasized that the two reports herein reviewed constitute the most complete and comprehensive source of information on mutual benefit associations which is now available and that, by reason of the extended research upon which they are based, and the amplitude of the treatment accorded to the material, they are indispensable to students of this subject.

J. H. WOODWARD,  
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